LEKWA LOCAL MUNICIPALITY

(Registration number MP305)

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

General Information

Nature of business and principal activities	Local Municipality
Executive Mayor	Cllr. C.M. Morajane
Speaker	Cllr. L.B.R. Dhlamini
Chief Whip	Cllr. G.S. Msibi
Member of Mayoral Committee - Technical Services and Development and Planning	Cllr. M.M. Ntuli
Member of Mayoral Committee - Corporate Services and Community Services and Safety	Cllr. B. Sekhonde
Councillors	Cllr.J.F.Buthelezi Cllr.J.R.De Ville Cllr.L.B.R.Dhlamini Cllr.S.S.Gumede Cllr.J.L.Jansen van Rensburg Cllr.H.M.Khota Cllr.M.S.Khumalo-Radebe Cllr.S.A.Maboea Cllr.M.Y.Mahlangu Cllr.M.G.Makhanye Cllr.J.P.Masuku Cllr.M.L.Molaba Cllr.S.S.Mosia Cllr.J.B.Mothopeng Cllr.P.Mphuthi Cllr.G.S.Msibi Cllr.A.S.Ngwenya Cllr.N.L.Nkosi Cllr.M.M.Ntuli Cllr.M.D.Rakitla Cllr.F.Sarang Cllr.P.T.Schnetler Cllr.B.Sekhonde Cllr.E.N.K.Shabangu Cllr.N.Z.E.Sitshoni Cllr.M.R.Tshabalala Cllr.N.T.Tshabalala Cllr.J.J.Van der Wath Cllr.S.M.Zacarias Cllr.B.S.Zwane

General Information

Grading of local authority	Local Municipality Category B Municipality as defined by the Municipal Structures Act no. 117 of 1998
Chief Finance Officer (CFO)	Vacant
Registered office	C/O Mbonani Mayisela and Dr Beyers Naudé Street Standerton 2430
Business address	C/O Mbonani Mayisela and Dr Beyers Naudé Street Standerton 2430
Postal address	PO Box 66 Standerton 2430
Bankers	First National Bank Limited
Auditor	Auditor General South Africa
Rounding	All amounts have been rounded to the nearest R1
Website	www.lekwalm.gov.za

Index

The reports and statements set out below comprise the unaudited annual financial statements presented to the provincial legislature:

Contents	Pages
ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL	5
ACCOUNTING OFFICER'S REPORT	6 - 7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF FINANCIAL PERFORMANCE	9
STATEMENT OF CHANGES IN NET ASSETS	10
CASH FLOW STATEMENT	11
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	12 - 14
APPROPRIATION STATEMENT	15 - 16
ACCOUNTING POLICIES	17 - 38
NOTES TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS	39 - 66
APPENDIXES:	
APPENDIX A: SCHEDULE OF EXTERNAL LOANS	67
APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE	68
APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)	69
APPENDIX F: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT	70
APPENDIX G(3): BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)	
APPENDIX G(4): BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING	
APPENDIX G(5): BUDGETED CASH FLOWS	

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME'S	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviours are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently reviewing and reporting on the municipality's unaudited annual financial statements. The unaudited annual financial statements have been examined by the municipality's external auditor and their report is presented on page 6.

The unaudited annual financial statements set out on pages 6 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and was signed on:

L. B. Tshabalala
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

The municipality is a local municipality.

The operating results and state of affairs of the municipality are fully set out in the attached unaudited annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 180,948,882 (2012: deficit R 164,440,582).

2. Going concern

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The Accounting Officer has no interest in contracts, either direct or indirect.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:
Name
L. B. Tshabalala

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Executive Mayor and Municipal Manager

The roles of Executive Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Internal audit

The municipality has a functional Internal Audit Unit. This is in compliance with the Municipal Finance Management Act, 2003.

7. Bankers

First Rand Bank Limited is used for daily operations as well as Investing of Grant Funding.

Accounting Officer's Report

8. Auditor

Auditor General South Africa will continue in office for the next financial period.

9. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commence mental text.

Lekwa Local Municipality did not enter into any Public Private Partnership for the 2012/2013 financial year, nor does it have any existing PPP's.

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012 Restated
Assets			
Current Assets			
Inventories	5	2,464,386	2,322,216
Receivables from exchange transactions	6	6,664,757	7,172,113
Receivables from non-exchange transactions		2,206	-
Consumer debtors	7	45,314,889	51,616,744
Cash and cash equivalents	8	27,221,956	15,272,514
		81,668,194	**76,383,587**
Non-Current Assets			
Investment property	3	9,880,902	10,250,370
Property, plant and equipment	4	1,900,228,876	1,982,516,971
		1,910,109,778	**1,992,767,341**
Total Assets		**1,991,777,972**	**2,069,150,928**
Liabilities			
Current Liabilities			
Other financial liabilities	9	1,101,945	1,195,572
Finance lease obligation	10	-	154,572
Payables from exchange transactions	13	235,181,455	149,464,946
VAT payable	14	37,470,421	36,788,629
Consumer deposits	16	2,704,727	2,592,378
Unspent conditional grants and receipts	11	21,847,511	10,994,124
		298,306,059	**201,190,221**
Non-Current Liabilities			
Other financial liabilities	9	-	1,037,212
Provisions	12	95,719,664	88,222,369
		95,719,664	**89,259,581**
Total Liabilities		**394,025,723**	**290,449,802**
Net Assets		**1,597,752,249**	**1,778,701,126**
Net Assets			
Accumulated surplus		1,597,752,249	1,778,701,126

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012 Restated
Revenue			
Revenue from exchange transactions			
Service charges	19	246,422,103	198,598,539
Income from agency services		3,692,052	10,426,581
Rental income		1,839,554	835,697
Other income	22	877,710	4,474,027
Interest received - investment		14,947,118	19,175,830
Total revenue from exchange transactions		**267,778,537**	**233,510,674**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	18	40,452,640	31,033,468
Transfer revenue			
Government grants & subsidies	20	117,484,013	110,409,262
Fines		271,486	2,165,779
Total revenue from non-exchange transactions		**158,208,139**	**143,608,509**
Total revenue	17	**425,986,676**	**377,119,183**
Expenditure			
Personnel	25	115,435,198	101,586,410
Remuneration of councillors	26	8,417,783	7,888,630
Depreciation and amortisation	29	113,538,966	118,135,467
Finance costs	30	17,787,929	4,185,282
Debt impairment	27	77,849,817	35,286,968
Repairs and maintenance		11,800,143	19,140,801
Bulk purchases	35	186,571,089	167,690,952
Contracted services	33	4,331,408	3,926,646
Grants and subsidies paid	34	14,373,130	13,084,319
General Expenses	23	56,776,941	67,688,848
Total expenditure		**606,882,404**	**538,614,323**
Operating deficit	24	**(180,895,728)**	**(161,495,140)**
Gain/(loss) on disposal of assets and liabilities		(53,154)	(2,945,442)
Deficit for the year		**(180,948,882)**	**(164,440,582)**
Attributable to:			
Owners of the controlling entity		(180,948,882)	(164,440,582)

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,989,544,936	1,989,544,936
Adjustments		
Correction of errors	(46,403,228)	(46,403,228)
Balance at 01 July 2011 as restated	**1,943,141,708**	**1,943,141,708**
Changes in net assets		
Surplus for the year	(164,440,582)	(164,440,582)
Total changes	(164,440,582)	(164,440,582)
Balance at 01 July 2012	**1,778,701,131**	**1,778,701,131**
Changes in net assets		
Surplus for the year	(180,948,882)	(180,948,882)
Total changes	(180,948,882)	(180,948,882)
Balance at 30 June 2013	**1,597,752,249**	**1,597,752,249**

Note(s)

Lekwa Local Municipality

(Registration number MP305)
Unaudited Annual Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Taxation		24,410,959	34,940,220
Sale of goods and services		228,385,090	176,131,970
Grants		127,890,000	111,136,004
Interest income		14,947,118	19,175,830
Other receipts		30,679,713	12,378,367
		426,312,880	353,762,391
Payments			
Employee costs		(108,646,384)	(105,405,025)
Suppliers		(257,407,913)	(200,539,952)
Finance costs		(17,787,929)	(4,149,495)
		(383,842,226)	(310,094,472)
Undefined difference compared to the cash generated from operations note		**(1,975,393)**	**43,914**
Net cash flows from operating activities	36	**40,495,261**	**43,711,833**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(29,749,556)	(32,873,024)
Proceeds from sale of property, plant and equipment	4	788,472	-
Proceeds from sale of other asset 1		(236,926)	(2,945,442)
Net cash flows from investing activities		**(29,198,010)**	**(35,818,466)**
Cash flows from financing activities			
Repayment of other financial liabilities		(1,130,839)	(1,324,861)
Finance lease payments		(154,572)	(322,583)
Net cash flows from financing activities		**(1,285,411)**	**(1,647,444)**
Net increase/(decrease) in cash and cash equivalents		**10,011,840**	**6,245,923**
Cash and cash equivalents at the beginning of the year		15,272,514	9,026,591
Cash and cash equivalents at the end of the year	8	**25,284,354**	**15,272,514**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	36,884,750	(16,623,857)	**20,260,893**	40,452,640	**20,191,747**	Increase due to completeness of billing
Service charges	267,437,796	(7,469,985)	**259,967,811**	246,422,103	**(13,545,708)**	Difference due to Distribution losses
Investment revenue	21,086,692	(7,136,351)	**13,950,341**	14,947,118	**996,777**	Increase interest charged on overdue accounts.
Transfers recognised - operational	84,123,840	-	**84,123,840**	117,484,013	**33,360,173**	
Other own revenue	8,152,858	3,241,314	**11,394,172**	6,627,647	**(4,766,525)**	
Total Revenue (excluding capital transfers and contributions)	**417,685,936**	**(27,988,879)**	**389,697,057**	**425,933,521**	**36,236,464**	
Expenditure by type						
Employee costs	(113,853,564)	10,403,721	**(103,449,843)**	(115,435,193)	**(11,985,350)**	
Remuneration of councillors	(8,274,924)	-	**(8,274,924)**	(8,417,783)	**(142,859)**	
Debt impairment	(40,080,987)	(15,387,712)	**(55,468,699)**	(77,849,817)	**(22,381,118)**	
Depreciation & asset impairment	(12,000,000)	-	**(12,000,000)**	(113,538,965)	**(101,538,965)**	
Finance charges	(3,300,000)	1,545,850	**(1,754,150)**	(17,787,929)	**(16,033,779)**	
Materials and bulk purchases	(167,832,697)	(1,043,500)	**(168,876,197)**	(190,902,497)	**(22,026,300)**	
Transfers and grants	(7,534,457)	(10,304,961)	**(17,839,418)**	(14,373,130)	**3,466,288**	
Other expenditure	(64,809,550)	(1,206,757)	**(66,016,307)**	(68,577,075)	**(2,560,768)**	
Total expenditure	**(417,686,179)**	**(15,993,359)**	**(433,679,538)**	**(606,882,389)**	**(173,202,851)**	
Surplus	**(243)**	**(43,982,238)**	**(43,982,481)**	**(180,948,868)**	**(136,966,387)**	
Surplus after capital transfers & contributions	**(243)**	**(43,982,238)**	**(43,982,481)**	**(180,948,868)**	**(136,966,387)**	
Surplus for the year	**(243)**	**(43,982,238)**	**(43,982,481)**	**(180,948,868)**	**(136,966,387)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash	18,069,300	-	**18,069,300**	27,221,955	**9,152,655**	
Consumer debtors	53,940,557	-	**53,940,557**	45,314,891	**(8,625,666)**	
Other debtors	500,000	-	**500,000**	6,666,963	**6,166,963**	
Current portion of long-term receivables	6,107,000	-	**6,107,000**	-	**(6,107,000)**	
Inventory	2,974,685	-	**2,974,685**	2,464,386	**(510,299)**	
	81,591,542	**-**	**81,591,542**	**81,668,195**	**76,653**	
Non-Current Assets						
Investment property	-	-	**-**	9,880,902	**9,880,902**	
Property, plant and equipment	73,835,656	-	**73,835,656**	1,863,480,159	**1,789,644,503**	
Intangible	361,000	-	**361,000**	-	**(361,000)**	
	74,196,656	**-**	**74,196,656**	**1,873,361,061**	**1,799,164,405**	
Total Assets	**155,788,198**	**-**	**155,788,198**	**1,955,029,256**	**1,799,241,058**	
Liabilities						
Current Liabilities						
Borrowing	655,119	-	**655,119**	1,101,945	**446,826**	
Consumer deposits	2,500,000	-	**2,500,000**	2,704,727	**204,727**	
Trade and other payables	78,006,729	-	**78,006,729**	124,332,953	**46,326,224**	
Provisions	14,249,284	-	**14,249,284**	-	**(14,249,284)**	
	95,411,132	**-**	**95,411,132**	**128,139,625**	**32,728,493**	
Non-Current Liabilities						
Borrowing	2,595,062	-	**2,595,062**	-	**(2,595,062)**	
Provisions	-	-	**-**	95,719,664	**95,719,664**	
	2,595,062	**-**	**2,595,062**	**95,719,664**	**93,124,602**	
Total Liabilities	**98,006,194**	**-**	**98,006,194**	**223,859,289**	**125,853,095**	
Net Assets	**57,782,004**	**-**	**57,782,004**	**1,731,169,967**	**1,673,387,963**	
Community wealth/equity						
Accumulated Surplus/(Deficit)	57,782,004	-	**57,782,004**	1,597,752,264	**1,539,970,260**	
Total community wealth/equity	**57,782,004**	**-**	**57,782,004**	**1,597,752,264**	**1,539,970,260**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	280,586,265	-	**280,586,265**	283,475,762	**2,889,497**	
Government - operating	84,123,840	-	**84,123,840**	79,067,000	**(5,056,840)**	
Government - capital	45,346,950	-	**45,346,950**	48,823,000	**3,476,050**	
Interest	11,965,646	-	**11,965,646**	14,947,118	**2,981,472**	
	422,022,701	**-**	**422,022,701**	**426,312,880**	**4,290,179**	
Payments						
Suppliers and employees	(354,850,495)	-	**(354,850,495)**	(385,690,487)	**(30,839,992)**	
Finance charges	(400,000)	-	**(400,000)**	(4,443,204)	**(4,043,204)**	
Transfers and Grants	(2,504,457)	-	**(2,504,457)**	-	**2,504,457**	
	(357,754,952)	**-**	**(357,754,952)**	**(390,133,691)**	**(32,378,739)**	
Net cash flows from operating activities	**64,267,749**	**-**	**64,267,749**	**36,179,189**	**(28,088,560)**	
Cash flows from investing activities						
Receipts						
Proceeds on disposal of PPE	-	-	**-**	788,472	**788,472**	
Payments						
Capital assets	56,846,950	-	**56,846,950**	(30,274,097)	**(87,121,047)**	
Net cash flows from investing activities	**56,846,950**	**-**	**56,846,950**	**(29,485,625)**	**(86,332,575)**	
Cash flows from financing activities						
Receipts						
Borrowing long term/refinancing	-	-	**-**	(154,572)	**(154,572)**	
Payments						
Repayment of borrowing	(2,900,000)	-	**(2,900,000)**	(1,130,839)	**1,769,161**	
Net cash flows from investing activities	**(2,900,000)**	**-**	**(2,900,000)**	**(1,285,411)**	**1,614,589**	
Net increase/(decrease) in cash held	118,214,699	-	**118,214,699**	5,408,153	**(112,806,546)**	
Cash/cash equivalents at the year begin:	-	-	**-**	14,965,941	**14,965,941**	
Cash and cash equivalents at the end of the year	**118,214,699**	**-**	**118,214,699**	**20,374,094**	**(97,840,605)**	

Lekwa Local Municipality

(Registration number MP305)
Unaudited Annual Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013											
Financial Performance											
Property rates	36,884,750	(16,623,857)	20,260,893	-		20,260,893	40,452,640		20,191,747	200 %	110 %
Service charges	267,437,796	(7,469,985)	259,967,811	-		259,967,811	246,422,103		(13,545,708)	95 %	92 %
Investment revenue	21,086,692	(7,136,351)	13,950,341	-		13,950,341	14,947,118		996,777	107 %	71 %
Transfers recognised - operational	84,123,840	-	84,123,840	-		84,123,840	117,484,013		33,360,173	140 %	140 %
Other own revenue	8,152,858	3,241,314	11,394,172	-		11,394,172	6,864,574		(4,529,598)	60 %	84 %
Total revenue (excluding capital transfers and contributions)	**417,685,936**	**(27,988,879)**	**389,697,057**	**-**		**389,697,057**	**426,170,448**		**36,473,391**	**109 %**	**102 %**
Employee costs	(113,853,564)	10,403,721	(103,449,843)	-	-	(103,449,843)	(115,435,198)	11,985,355	(11,985,355)	112 %	101 %
Remuneration of councillors	(8,274,924)	-	(8,274,924)	-	-	(8,274,924)	(8,417,783)	142,423	(142,859)	102 %	102 %
Debt impairment	(40,080,987)	(15,387,709)	(55,468,696)			(55,468,696)	(77,849,817)	22,381,121	(22,381,121)	140 %	194 %
Depreciation and asset impairment	(12,000,000)	-	(12,000,000)			(12,000,000)	(113,538,966)	88,656,722	(101,538,966)	946 %	946 %
Finance charges	(3,300,000)	1,545,850	(1,754,150)	-	-	(1,754,150)	(17,787,929)	16,033,779	(16,033,779)	1,014 %	539 %
Materials and bulk purchases	(167,832,697)	(1,043,500)	(168,876,197)	-	-	(168,876,197)	(186,571,089)	17,642,452	(17,694,892)	110 %	111 %
Transfers and grants	(7,534,457)	(10,304,961)	(17,839,418)	-	-	(17,839,418)	(14,373,130)	-	3,466,288	81 %	191 %
Other expenditure	(64,809,550)	(1,206,757)	(66,016,307)	-	-	(66,016,307)	(73,145,418)	6,078,751	(7,129,111)	111 %	113 %
Total expenditure	**(417,686,179)**	**(15,993,356)**	**(433,679,535)**	**-**	**-**	**(433,679,535)**	**(607,119,330)**	**162,920,603**	**(173,439,795)**	**140 %**	**145 %**
Surplus/(Deficit)	**(243)**	**(43,982,235)**	**(43,982,478)**	**-**		**(43,982,478)**	**(180,948,882)**		**(136,966,404)**	**411 %**	**464,560 %**
Surplus/(Deficit) for the year	**(243)**	**(43,982,235)**	**(43,982,478)**	**-**		**(43,982,478)**	**(180,948,882)**		**(136,966,404)**	**411 %**	**464,560 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	64,267,749	-	64,267,749	-		64,267,749	40,495,261		(23,772,488)	63 %	63 %
Net cash from (used) investing	56,846,950	-	56,846,950	-		56,846,950	(29,198,010)		(86,044,960)	(51)%	(51)%
Net cash from (used) financing	(2,900,000)	-	(2,900,000)	-		(2,900,000)	(1,285,411)		1,614,589	44 %	44 %
Net increase/(decrease) in cash and cash equivalents	**118,214,699**	**-**	**118,214,699**	**-**		**118,214,699**	**10,011,840**		**(108,202,859)**	**8 %**	**8 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	15,272,514		15,272,514	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**118,214,699**	**-**	**118,214,699**	**-**		**118,214,699**	**25,284,354**		**92,930,345**	**21 %**	**21 %**

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	2 - 50 Years
Plant and machinery	2 - 15 years
Furniture and fixtures	2 - 10 years
Motor vehicles	2 - 10 years
Office equipment	2 - 10 years
IT equipment	2 - 5 years
Computer software	1 - 5 years
Infrastructure	1 - 65 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Accounting Policies

1.3 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Accounting Policies

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

1.4 Financial instruments (continued)

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.4 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade Debtors from Exchange Transactions	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
Trade Debtors from Non Exchange Transactions	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
DBSA Loans	Financial liability measured at amortised cost
Payables from Exchange Transactions	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost
Financial liabilities	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Accounting Policies

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.7 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

When an asset becomes unavailable to continue with its service dilvery potential, and asset is classified from cash-generating to non-cash-generating.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.7 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Accounting Policies

1.8 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.8 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Accounting Policies

1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies

1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Accounting Policies

1.12 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.13 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Use of estimates

The preparation of unaudited annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited annual financial statements are disclosed in the relevant sections of the unaudited annual financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.18 Presentation of currency

These unaudited annual financial statements are presented in South African Rand.

1.19 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.20 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.21 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the unaudited annual financial statements.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.24 Other accounting policy 1

1.25 Other accounting policy 2

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	Resulted in additional disclosure
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Resulted in additional disclosure
• GRAP 103: Heritage Assets	01 April 2012	No impact
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	Resulted in additional disclosure
• GRAP 26: Impairment of cash-generating assets	01 April 2012	Resulted in additional disclosure
• GRAP 104: Financial Instruments	01 April 2012	Resulted in additional disclosure

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	Resulted in additional disclosure
• GRAP 20: Related parties	01 April 2013	Resulted in additional disclosure
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Resulted in additional disclosure
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Resulted in additional disclosure
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	Resulted in additional disclosure
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Resulted in additional disclosure
• GRAP 12 (as revised 2012): Inventories	01 April 2013	No impact expected
• GRAP 13 (as revised 2012): Leases	01 April 2013	No impact expected
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	No impact expected
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	No impact expected
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	No impact expected
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	No impact expected
• IGRAP16: Intangible assets website costs	01 April 2013	No impact expected
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	No impact expected

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	Additional disclosure will be required
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	No impact expected
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	No impact expected
• GRAP 107: Mergers	01 April 2014	No impact expected
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	No impact expected
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	No impact expected
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	No impact expected
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	No impact expected
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	No impact expected

3. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	18,563,400	(8,682,498)	9,880,902	18,563,400	(8,313,030)	10,250,370

Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	10,250,370	(369,468)	9,880,902

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Total
Investment property	10,619,838	(369,468)	10,250,370

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	264,549,106	-	264,549,106	265,153,806	-	265,153,806
Buildings	499,486,362	(174,082,346)	325,404,016	497,620,111	(149,201,340)	348,418,771
Plant and machinery	249,431	(196,684)	52,747	218,937	(148,377)	70,560
Furniture and fixtures	7,875,322	(4,026,970)	3,848,352	6,797,917	(3,062,026)	3,735,891
Motor vehicles	29,995,304	(19,410,114)	10,585,190	29,444,095	(13,454,856)	15,989,239
Office equipment	1,754,949	(1,173,115)	581,834	1,754,949	(823,534)	931,415
IT equipment	2,976,713	(1,656,253)	1,320,460	2,720,330	(698,670)	2,021,660
Work in Progress	89,138,631	-	89,138,631	84,298,687	-	84,298,687
Road network	1,365,142,575	(579,594,661)	785,547,914	1,348,506,678	(521,362,869)	827,143,809
Community	9,928,391	(697,600)	9,230,791	9,928,391	(654,000)	9,274,391
Electricty network	265,273,720	(131,715,389)	133,558,331	265,273,720	(125,683,327)	139,590,393
Other equipment	185,835	(60,782)	125,053	185,825	(57,675)	128,150
Asset found	2,029,074	(1,387,417)	641,657	2,029,074	(973,583)	1,055,491
Laboratory equipment	372,965	(232,876)	140,089	372,965	(158,283)	214,682
Signage	60,827,678	(21,730,946)	39,096,732	60,827,678	(19,136,744)	41,690,934
Spare parts	265,129	(192,037)	73,092	265,129	(139,011)	126,118
Specialised vehicles	49,217,292	(31,728,416)	17,488,876	49,217,292	(26,806,687)	22,410,605
Stage equipment	2,169,989	(1,751,765)	418,224	2,169,989	(1,533,975)	636,014
Wastewater network	211,687,417	(77,648,289)	134,039,128	211,687,417	(73,175,703)	138,511,714
Water network	160,522,849	(76,266,219)	84,256,630	153,329,386	(72,416,470)	80,912,916
Other property, plant and equipment	348,505	(216,482)	132,023	348,505	(146,780)	201,725
Total	**3,023,997,237**	**(1,123,768,361)**	**1,900,228,876**	**2,992,150,881**	**(1,009,633,910)**	**1,982,516,971**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Difference	Additions	Disposals	Transfers	Depreciation	Total
Land	265,153,806	-	-	(604,700)	-	-	264,549,10
Buildings	348,418,771	-	-	-	1,866,251	(24,881,006)	325,404,01
Plant and machinery	70,560	**(77,073)**	60,319	-	-	(1,059)	52,74
Furniture and fixtures	3,735,891	**62,715**	112,461	-	-	(62,715)	3,848,35
Motor vehicles	15,989,239	**(5,740,762)**	551,207	-	-	(214,494)	10,585,19
Office equipment	931,415	**(317,174)**	-	-	-	(32,407)	581,83
IT equipment	2,021,660	**(909,546)**	256,383	-	-	(48,037)	1,320,46
Work in Progress	84,298,687	**1,766,369**	28,769,186	-	(25,695,611)	-	89,138,63
Road network	827,143,809	-	-	-	16,635,897	(58,231,792)	785,547,91
Community	9,274,391	-	-	-	-	(43,600)	9,230,79
Electricty network	139,590,393	-	-	-	-	(6,032,062)	133,558,33
Other equipment	128,150	**(3,097)**	-	-	-	-	125,05
Asset found	1,055,491	**(383,663)**	-	-	-	(30,171)	641,65
Laboratory equipment	214,682	**(69,159)**	-	-	-	(5,434)	140,08
Signage	41,690,934	-	-	-	-	(2,594,202)	39,096,73
Spare parts	126,118	**(49,569)**	-	-	-	(3,457)	73,09
Specialised vehicles	22,410,605	**(4,746,408)**	-	-	-	(175,321)	17,488,87
Stage equipment	636,014	**(196,955)**	-	-	-	(20,835)	418,22
Wastewater network	138,511,714	**(115,072)**	-	-	-	(4,357,514)	134,039,12
Water network	80,912,916	**(302,227)**	-	-	7,193,463	(3,547,522)	84,256,63
Other property, plant and equipment	201,725	**(64,075)**	-	-	-	(5,627)	132,02
	1,982,516,971	**(11,145,696)**	**29,749,556**	**(604,700)**	**-**	**(100,287,255)**	**1,900,228,87**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Difference	Additions	Depreciation	Total
Land	265,153,806	-	-	-	265,153,806
Buildings	373,017,466	-	282,311	(24,881,006)	348,418,771
Plant and machinery	114,348	**(39,038)**	-	(4,750)	70,560
Furniture and fixtures	4,707,022	**(441,895)**	57,681	(586,917)	3,735,891
Motor vehicles	21,290,568	**(3,441,026)**	-	(1,860,303)	15,989,239
Office equipment	1,487,950	**(327,319)**	131,530	(360,746)	931,415
IT equipment	2,430,156	**(545,940)**	258,940	(121,496)	2,021,660
Work in Progress	52,887,010	-	31,411,677	-	84,298,687
Road network	885,375,601	-	-	(58,231,792)	827,143,809
Community	9,317,991	-	-	(43,600)	9,274,391
Electricty network	145,289,020	-	327,535	(6,026,162)	139,590,393
Other equipment	131,159	**(3,006)**	-	(3)	128,150
Asset found	1,621,164	**(398,568)**	26,575	(193,680)	1,055,491
Laboratory equipment	289,275	**(38,484)**	-	(36,109)	214,682
Signage	44,286,808	-	-	(2,595,874)	41,690,934
Spare parts	179,144	**(30,218)**	-	(22,808)	126,118
Specialised vehicles	28,935,847	**(4,746,410)**	-	(1,778,832)	22,410,605
Stage equipment	1,070,011	**(316,351)**	-	(117,646)	636,014
Wastewater network	142,907,484	**(115,073)**	76,815	(4,357,512)	138,511,714
Water network	84,355,549	**(195,755)**	287,401	(3,534,279)	80,912,916
Other property, plant and equipment	272,426	**(19,389)**	12,559	(63,871)	201,725
	2,065,119,805	**(10,658,472)**	**32,873,024**	**(104,817,386)**	**1,982,516,971**

Figures in Rand	2013	2012

4. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Inventories

Consumable stores	2,396,403	2,253,541
Water	67,983	68,675
	2,464,386	**2,322,216**

6. Receivables from exchange transactions

Sundry Receivables	6,664,757	7,172,113

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

Counterparties with external credit rating (Moody's)		
Baaa1	6,664,757	7,172,113

Fair value of trade and other receivables

Trade and other receivables	6,664,757	7,172,113

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

7. Consumer debtors

Gross balances		
Rates	65,733,226	49,745,178
Electricity	44,739,499	49,556,878
Water	58,642,966	53,571,343
Sewerage	36,589,554	42,678,681
Refuse	22,208,353	24,769,085
Other	105,929,192	98,225,236
	333,842,790	**318,546,401**

Less: Allowance for impairment		
Rates	(59,697,730)	(45,562,840)
Electricity	(27,181,380)	(22,568,361)
Water	(52,737,481)	(46,826,999)
Sewerage	(33,253,620)	(38,859,383)
Refuse	(20,213,716)	(22,983,193)
Other	(95,443,974)	(90,128,881)
	(288,527,901)	**(266,929,657)**

Net balance		
Rates	6,035,496	4,182,338
Electricity	17,558,119	26,988,517
Water	5,905,485	6,744,344
Sewerage	3,335,934	3,819,298
Refuse	1,994,637	1,785,892
Other	10,485,218	8,096,355
	45,314,889	**51,616,744**

Included in above is receivables from exchange transactions		
Electricity	17,558,119	26,988,517
Water	5,905,485	6,744,344
Sewerage	3,335,934	3,819,298
Refuse	1,994,637	1,785,892
Other	10,485,218	8,108,223
	39,279,393	**47,446,274**

Included in above is receivables from non-exchange transactions (taxes and tansfers)		
Rates	6,035,496	4,182,338
Net balance	**45,314,889**	**51,628,612**

Rates		
Current (0 -30 days)	19,345,986	2,663,718
31 - 60 days	1,773,933	2,810,630
61 - 90 days	1,586,293	2,540,370
90+ Days	43,027,014	41,730,456
Less: Provision	(59,697,730)	(45,562,836)
	6,035,496	**4,182,338**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

7. Consumer debtors (continued)

Electricity		
Current (0 -30 days)	12,766,985	15,397,542
31 - 60 days	3,203,498	6,756,381
61 - 90 days	2,714,313	4,558,000
90+ Days	26,054,703	22,844,956
Less: Provision	(27,181,380)	(22,568,362)
	17,558,119	**26,988,517**

Water		
Current (0 -30 days)	5,485,701	4,929,219
31 - 60 days	2,957,874	4,521,999
61 - 90 days	2,741,557	3,495,642
90+ Days	47,457,834	40,624,483
Less: Provision	(52,737,481)	(46,826,999)
	5,905,485	**6,744,344**

Sewerage		
Current (0 -30 days)	1,282,872	3,418,612
31 - 60 days	1,084,231	3,382,308
61 - 90 days	1,032,530	2,943,202
90+ Days	33,189,921	32,934,558
Less: Provision	(33,253,620)	(38,859,382)
	3,335,934	**3,819,298**

Refuse		
Current (0 -30 days)	760,876	2,736,696
31 - 60 days	616,247	2,670,013
61 - 90 days	561,508	2,286,227
90+ Days	20,269,722	17,076,149
Less: Provision	(20,213,716)	(22,983,193)
	1,994,637	**1,785,892**

Other		
Current (0 -30 days)	4,450,800	9,676,990
31 - 60 days	2,392,191	7,760,708
61 - 90 days	2,256,144	6,308,657
90+ Days	96,830,057	74,478,881
Less: Provision	(95,443,974)	(90,128,881)
	10,485,218	**8,096,355**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(266,929,657)	(261,627,591)
Increase in provision for doubtful debts	(77,098,975)	(35,209,612)
Debt impairment written off	55,500,731	29,907,546
	(288,527,901)	**(266,929,657)**

Fair value of consumer debtors

Consumer debtors	45,314,889	51,616,744

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

7. Consumer debtors (continued)

Consumer debtors impaired

As of 30 June 2013, consumer debtors of R 288,527,901 (2012: R 266,929,657) were impaired and provided for.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
Cash on hand	10,422	7,740
Bank balances	27,211,534	15,264,774
	27,221,956	**15,272,514**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating	2013	2012
AAA	26,809,213	15,264,774

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2013	**30 June 2012**	**30 June 2011**	**30 June 2013**	**30 June 2012**	**30 June 2011**
FNB BANK - Current - 62027040740	3,039,292	3,855,545	1,922,383	3,039,292	3,855,545	1,374,539
FNB BANK - Current - 62055246922	27,810	27,683	75,686	27,810	27,683	75,686
FNB BANK - Call Accounts - 62177556598	23,676,910	11,316,416	7,419,993	23,676,910	11,316,416	7,419,993
NEDBANK BANK - Call Account - 08735375	39,440	39,370	38,357	39,440	39,370	38,357
NEDBANK BANK - Call Account - 08735375	25,760	25,760	24,596	25,760	25,760	24,596
Total	**26,809,212**	**15,264,774**	**9,481,015**	**26,809,212**	**15,264,774**	**8,933,171**

9. Other financial liabilities

At amortised cost	2013	2012
Development Bank of South Africa	1,101,945	2,232,784

Refer to Annexure A for detailed breakdown of loans payable.

Non-current liabilities	2013	2012
At amortised cost	-	1,037,212

Current liabilities	2013	2012
At amortised cost	1,101,945	1,195,572

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

10. Finance lease obligation

Minimum lease payments due		
- within one year	-	163,226
	-	163,226
less: future finance charges	-	(8,654)
Present value of minimum lease payments	**-**	**154,572**

Present value of minimum lease payments due		
- within one year	-	154,572

The Financial leases has ended during the financial year.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	22,190,413	10,616,347
Municipal Systems Improvement Grant	(750,000)	29,537
Finance Management Grant	-	348,240
Expanded Public Works Grant	407,098	-
	21,847,511	**10,994,124**

Movement during the year

Balance at the beginning of the year	14,161,124	10,593,382
Additions during the year	49,573,000	40,429,000
Income recognition during the year	(41,886,613)	(40,028,258)
	21,847,511	**10,994,124**

The nature and extent of government grants recognised in the unaudited annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

12. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation provision	30,735,818	1,674,068	32,409,886
Long Service Provision	7,321,958	623,443	7,945,401
Employee benefit cost	50,164,593	5,199,784	55,364,377
	88,222,369	**7,497,295**	**95,719,664**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation provision	30,440,740	295,078	-	-	30,735,818
Long Service Provision	6,761,203	1,392,184	(763,800)	(67,629)	7,321,958
Employee benefit cost	42,645,470	7,519,123	-	-	50,164,593
	79,847,413	**9,206,385**	**(763,800)**	**(67,629)**	**88,222,369**

Environmental rehabilitation provision

Financial assumptions used:
Adjustment of unit costs:
The baseline for the unit costs used in the MLCCM was set in 2011. Unit costs were adjusted on 1 July 2012. For the various cost elements relating to pre-closure planning as well as post-closure monitoring and maintenance, the 3-month average of the CPI was used to adjust the unit cost for each cost element. The unit cost of the various costs elements relating to rehabilitation and closure were adjusted using the Civil Engineering Indices (drawn from the South African Federation of Civil Engineering Contractors website www.safcec.org.za) and the Contract Price Adjustment Factors (drawn from the www.dialytenders.co.za website), using the coefficients for Earthworks as provided in the General Conditions of Contract. The price adjustment resulting from these formulas amounted to 3.6595%.
CPI:
The CPI was used for the annual adjustment of unit costs as well as for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI was obtained from Statistics SA's website www.statssa.gov.za/keyindicators/cpi.asp. The average of the CPI for the last three months as published on 30 June 2012 (reporting date) was used for the adjustment of unit costs, as well as for the determination of future value of current costs, i.e. 5.9149%.

Discount rate:
GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. Where the liability in this case is determined for a government entity (municipality), government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used as published on the RSA Retail Savings Bond website www.rsaretailbonds.gov.za. The rate most consistent with the remaining life of the landfill published on 30 June was used. In the case of this landfill the rate associated with a period of 3 years was used, i.e. 1.00% above CPI.

Long service award provision
The IAS19/GRAP25 Statement sets out the recognition, measurement and disclosure requirements in accounting for "defined benefit" plans. The Statement requires further that actuarial gains and losses and past service cost are to be recognised immediately for long-service employee benefits.

Long Service Awards Provision

12. Provisions (continued)

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
10	4.0%	10 / 250 x annual salary
15	8.0%	20 / 250 x annual salary
20, 25, 30, 35, 40, 45	12.0%	30 / 250 x annual salary

At retirement after age 50, employees are entitled to a gift of R700, if they have less than ten years' service, and R750 , if they have more than ten years' service at retirement.

The assumptions which tend to have the greatest impact on the results are:
(i) The discount rate relative to the salary inflation assumptions;
(ii) The average retirement age of employees; and
(iii) Assumed rates of withdrawal of employees from service.

The liability at the Valuation Date was recalculated to show the effect of:
(i) A 1% increase and decrease in the assumed general salary inflation rate;
(ii) A two-year decrease and increase in the assumed average retirement age of employees; and
(iii) A 50% decrease in the assumed withdrawal rates from service.

Financial Assumptions
It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. IAS19/GRAP25 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.
Discount Rate: IAS19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 6.47% per annum has been used. This rate does not reflect any adjustment for taxation.
Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award.
The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.
General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, it is between 1.0% and 1.5% above CPI inflation.
The expected inflation assumption of 4.96% was obtained from the differential between market yields on index-linked bonds (0.96%) consistent with the estimated terms of the liabilities and those of nominal bonds (6.47%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as (6.47%-0.50%-0.96%)/1.0096.
Thus, a general salary inflation rate of 5.96% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.48%.
It has been assumed that the next salary increase will take place in July 2014.

Average Retirement Age: The Municipality has a normal retirement age of 65. It has been assumed that in-service members will retire at age 60, which implicitly makes an allowance for expected rates of early and ill-health retirement.
HIV/AIDS: No additional allowance has been made regarding expected additional mortality and morbidity due to HIV/AIDS. The mortality table used makes some allowance for this. Increased mortality rates before retirement would lead to a reduction in the employer's LSA liability.

Employee benefit cost provision

12. Provisions (continued)

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The municipality has requested ARCH (PTY) LTD to prepare an actuarial valuation of the municipality's liability as at 30 June 2013 based on the post-employment health care benefits. The valuation was done to ensure appropriate provision in accordance with GRAP25. The actuarial valuation method used was the "Projected Unit Credit Method" as prescribed by GRAP25.

VALUATION DATE	30 June 2013	30 June 2012
Discount rate	8.86% p.a.	7.96% p.a.
Health care cost inflation	7.70% p.a.	6.94% p.a.
Expected retirement age	60 yrs	60 yrs
Membership discontinued at retirement	0%	0%
Allowance for early retirement	None	None

13. Payables from exchange transactions

Payments received in advanced	9,914,892	10,779,579
Retentions and Guarentees held	8,730,739	8,527,287
Accruals	181,622,222	100,230,912
Accrued leave pay	13,814,296	8,838,350
13th Cheque Provision	2,547,139	2,333,461
Accrual Provincial Licence fees	18,552,167	1,535,827
Unallocated receipts	-	17,219,530
	235,181,455	**149,464,946**

14. VAT payable

Tax refunds payables	37,470,421	36,788,629

15. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At amortised cost	Total
Trade receivabales from Exchange Transactions	6,664,757	6,664,757
Cash and Cash Equivalents	23,780,343	23,780,343
Consumer debtors	45,314,889	45,314,889
	75,759,989	**75,759,989**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	1,101,945	1,101,945
Trade and other payables from exchange transactions	188,121,629	188,121,629
Bank overdraft	3,570,614	3,570,614
	192,794,188	**192,794,188**

2012

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	7,172,113	7,172,113
Consumer debtors	46,461,162	46,461,162
Cash and cash equivalents	15,272,514	15,272,514
	68,905,789	**68,905,789**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	2,387,356	2,387,356
Trade and other payables from exchange transactions	136,569,735	136,569,735
Bank overdraft	(306,573)	(306,573)
	138,650,518	**138,650,518**

16. Consumer deposits

	2013	2012
Deposits held from Consumer Debtors	2,704,727	2,592,378

17. Revenue

	2013	2012
Service charges	246,422,103	198,598,539
Income from agency services	3,692,052	10,426,581
Rental income	1,839,554	835,697
Other income - (rollup)	877,710	4,474,027
Interest received - investment	14,947,118	19,175,830
Property rates	40,452,640	31,033,468
Government grants & subsidies	117,484,013	110,409,262
Fines	271,486	2,165,779
	425,986,676	**377,119,183**

	2013	2012
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	246,422,103	198,598,539
Income from agency services	3,692,052	10,426,581
Rental income	1,839,554	835,697
Other income - (rollup)	877,710	4,474,027
Interest received - investment	14,947,118	19,175,830
	267,778,537	**233,510,674**

	2013	2012
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	40,452,640	31,033,468
Transfer revenue		
Government grants & subsidies	117,484,013	110,409,262
Fines	271,486	2,165,779
	158,208,139	**143,608,509**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

18. Property rates

Rates received

Property rates	40,452,640	31,033,468

Valuations

Business & Commercial Properties	150,646,350	150,646,350
Church	12,489,500	12,489,500
Farms	14,130,926,397	14,130,926,397
Municipal Properties	3,844,682,105	3,844,682,105
Residential Properties	1,179,361,550	1,179,361,550
Schools	52,208,900	52,208,900
State Owned Properties	28,760,000	28,760,000
Vacant	1,917,300	1,917,300
	19,400,992,102	**19,400,992,102**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2014.

19. Service charges

Sale of electricity	174,886,157	136,698,974
Sale of water	37,664,272	30,861,908
Sewerage and sanitation charges	21,707,286	21,247,525
Refuse removal	12,164,388	9,790,132
	246,422,103	**198,598,539**

Figures in Rand	2013	2012

20. Government grants and subsidies

Equitable share	79,067,000	69,959,000
Municipal Infrastructure Grant	31,946,934	32,395,996
Municipal Systems Improvement Grant	829,537	1,505,692
Financial Management Grant	1,598,240	1,713,471
Neighbourhood Development Partnership Grant	1,745,000	-
Expanded Public Works Grant	1,349,902	2,861,000
Intergrated National Electrification Programme	500,000	1,901,099
LG Seta Grant	447,400	73,004
	117,484,013	**110,409,262**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	41,606,463	40,450,262
Unconditional grants received	79,067,000	69,959,000
	120,673,463	**110,409,262**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 250 (2012: R 200), which is funded from the grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	10,616,347	7,135,343
Current-year receipts	43,521,000	35,877,000
Conditions met - transferred to revenue	(31,946,934)	(32,395,996)
	22,190,413	**10,616,347**

Conditions still to be met - remain liabilities (see note 11).

Municipal Systems Improvement Grant

Balance unspent at beginning of year	29,537	745,229
Current-year receipts	800,000	790,000
Conditions met - transferred to revenue	(829,537)	(1,505,692)
Repayment of Grant	(750,000)	-
	(750,000)	**29,537**

The municipality has made an error in the repayment of the grant. The municipality is in the process of claiming back the money paid erroneously.

Financial Management Grant

Balance unspent at beginning of year	348,240	811,711
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,598,240)	(1,713,471)
	-	**348,240**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

20. Government grants and subsidies (continued)

Neighbourhood Development Partnership Grant

Balance unspent at beginning of year	-	1,901,099
Current-year receipts	1,745,000	-
Conditions met - transferred to revenue	(1,745,000)	(1,901,099)
	-	**-**

Expanded Public Works Grant

Current-year receipts	1,757,000	2,861,000
Conditions met - transferred to revenue	(1,349,902)	(2,861,000)
	407,098	**-**

Conditions still to be met - remain liabilities (see note 11).

Intergrated National Electrification Programme

Current-year receipts	500,000	-
Conditions met - transferred to revenue	(500,000)	-
	-	**-**

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No2 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

21. Other revenue

Rental income - third party	1,839,554	835,697
Other income - (rollup)	877,710	4,474,027
	2,717,264	**5,309,724**

22. Other income

Tender Deposits received	160,812	107,974
Cementary fees	108,209	60,082
Building plan charges	32,426	29,649
Commission received	(41,794)	72,777
Clearance certificates	(26,043)	32,600
Rebates received	(76,284)	241
Rezoning fees	8,894	-
Miscellaneous income	274,790	902,946
Connection and reconnection fees	436,700	544,077
Insurance payout received	-	2,723,681
	877,710	**4,474,027**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

23. General expenses

Advertising	1,681,377	1,988,147
Auditors remuneration	3,512,817	2,379,178
Bank charges	699,978	643,769
Bursaries	107,982	156,927
Commission paid	-	193,939
Community development and training	2,116,641	560,223
Conferences and seminars	1,222,544	1,162,795
Consulting and professional fees	13,231,419	15,684,703
Consumables	3,271,263	4,152,406
Equitable share foregone	-	3,397,000
Fleet	6,341,450	7,165,422
Fruitless expenditure	341,248	14,999
IDP And LED	895,825	1,532,433
IT expenses	471,807	387,303
Insurance	1,973,426	2,872,818
Motor vehicle expenses	27,845	20,247
Project maintenance costs	4,339,242	6,471,401
Protective clothing	436,334	366,064
Security (Guarding of municipal property)	10,459,208	11,033,101
Staff welfare	144,485	224,573
Subscriptions and membership fees	1,832,608	2,735,323
Telephone and fax	1,446,681	2,875,232
Training	1,820,349	1,670,845
Travel - local	402,412	-
	56,776,941	**67,688,848**

24. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Gain on sale of property, plant and equipment	183,772	-
Loss on sale of other asset	(236,926)	(2,945,442)
Depreciation on property, plant and equipment	113,169,498	117,765,999
Depreciation on investment property	369,468	369,468
Employee costs	123,852,981	109,475,040

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

25. Employee related costs

Basic	70,865,231	58,480,255
Medical aid - company contributions	6,070,777	5,221,682
UIF	675,839	618,345
SDL	906,233	836,197
Other payroll levies	1,954,716	1,627,452
Leave pay provision charge	581,899	722,363
Short term benefit 1	1,646,994	1,481,656
Post-employment benefits - Pension - Defined contribution plan	12,976,968	12,373,557
Travel, motor car, accommodation, subsistence and other allowances	4,227,040	3,639,332
Overtime payments	13,564,979	13,703,851
Long-service awards	414,144	1,403,307
Acting allowances	1,550,378	1,393,876
	115,435,198	**101,501,873**

Remuneration of municipal manager

Annual Remuneration	897,812	-
Car Allowance	55,000	-
Contributions to UIF, Medical and Pension Funds	164,325	-
	-	**-**

The position of Municipal Manager was vacant during the 2012 and 2011 financial year.

Remuneration of chief finance officer

Annual Remuneration	413,314	40,551
Car Allowance	128,333	11,667
Contributions to UIF, Medical and Pension Funds	183,955	11,167
Acting Allowance	-	21,152
	-	**84,537**

The position of the Chief Finance Officer is vacant as at year end.

Remuneration of Senior Manager: Legal Services

Annual Remuneration	335,535	-
Car Allowance	169,120	-
Contributions to UIF, Medical and Pension Funds	116,239	-
	-	**-**

Remuneration of Senior Manager: Internal Audit

Annual Remuneration	379,212	-
Car Allowance	82,446	-
Contributions to UIF, Medical and Pension Funds	161,396	-
	-	**-**

26. Remuneration of councillors

Councillors	8,417,783	7,888,630

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

27. Debt impairment

Contributions to debt impairment provision	21,598,242	10,415,883
Debts impaired	56,251,575	24,871,085
	77,849,817	**35,286,968**

Consumer debtors are impaired based on their current financial year payment ratio.

28. Investment revenue

Interest revenue		
Bank	837,082	726,061
Interest charged on trade and other receivables	14,110,036	18,449,769
	14,947,118	**19,175,830**

29. Depreciation and amortisation

Property, plant and equipment	113,169,498	117,765,999
Investment property	369,468	369,468
	113,538,966	**118,135,467**

30. Finance costs

Finance leases	-	35,787
Bank	174,396	201,637
Other interest paid	17,613,533	3,947,858
	17,787,929	**4,185,282**

31. Auditor's remuneration

Fees	3,512,817	2,379,178

32. Operating lease

The Municipality has entered into operating leases with third parties.
The following contracts exists:
1. Gestetner, period of lease agreements are 60 months. Variable payments occur based on the usage of the leased equipment. The cost for lease the included in General Expenditure is R316,188.
2. Nashua, period of the lease agreements is between 36 months and 60 months. Variable payments occur based on the usage of the leased equipment. The cost for the leases included in General Expenditure is R169,910.
3. Panasonic, period of the lease agreement is 60 months. The cost for the lease included in General Expenditure is R2,268.

33. Contracted services

Fleet Services	1,948,998	1,772,513
Specialist Services	2,382,410	2,154,133
	4,331,408	**3,926,646**

34. Grants and subsidies paid

Other subsidies		
Indigent Grant	14,373,130	13,084,319

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

35. Bulk purchases

Electricity	169,679,724	163,836,007
Water	16,891,365	3,854,945
	186,571,089	**167,690,952**

36. Cash generated from operations

Deficit	(180,948,882)	(164,440,582)
Adjustments for:		
Depreciation and amortisation	113,538,966	118,135,467
(Loss)/gain on sale of assets and liabilities	53,154	2,945,442
Finance costs - Finance leases	-	35,787
Debt impairment	77,849,817	35,286,968
Movements in provisions	7,497,295	8,374,956
Prior Period Error - Property Rates Corrections	-	(5,113,201)
Changes in working capital:		
Inventories	(142,170)	(229,374)
Receivables from exchange transactions	507,356	(410,717)
Other receivables from non-exchange transactions	(2,206)	(208,001)
Consumer debtors	(71,547,962)	(35,541,714)
Payables from exchange transactions	85,716,502	62,749,970
VAT	(2,992,345)	21,675,745
Unspent conditional grants and receipts	10,853,387	400,742
Consumer deposits	112,349	50,345
	40,495,261	**43,711,833**

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	22,190,413	13,777,612

This committed expenditure relates to property and will be financed by available bank facilities.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	484,259	461,555
- in second to fifth year inclusive	210,738	668,690
	694,997	**1,130,245**

The total future minimum sublease payment expected to be paid	694,997	1,130,245

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of three years. No contingent rent is payable.

38. Contingencies

No	Description/Citation of parties	Nature of Details of Case	Citation @ Court	Amount of Dispute	Estimated Cost of Fees	Current Status	Who's Favour
1	AT Manana/Lekwa Munic.	Allegation of Unfair Dismissal	JR185/2010 @ JHB Labour Court	None	40,000.00	Pending	
2	Runaway Investments (PTY) LTD	Allegation of breach of unfair termination of contract	8003/2011 @ PTA High Court	3,262,488.20	40,000.00	Pending	
3	Hayes Matkovich Developments / Lekwa Munic	Allegation of breach of contract		30,000,000.00	300,000.00	Pending	
4	Various Farmers / Lekwa Muni	Allegation of damage to property	Varoius @ PTA High Court 45910/2009; ect	13,000,000.00	300,000.00	Pending	
5	Sipho Dlamnini/Lekwa Munic	Allegation of non-payment of remunation for extra work	37897/2012 @ PTA High Court	350,000.00	40,000.00	Pending	
6	Agavelle Bester / Lekwa Munic	Allegation liability for loss of support from beadwinner	4268/2009 @ PTA High Court	2,000,000.00	150,000.00	Pending	
7	Silinda Mokoena & Associates	Allegation of unilateral termination of contract	68615/2009 @PTA High Court	2,285,555.00	300,000.00	Finalised	Municipality
8	Izamix (PTY) Ltd / Lekwa Local Municipality	Allegation of violation of rights	257/2012 @ Standerton Court		25,000.00	Finalised	Municipality
9	Phumi Trading JV Mosallo Zwane /Lekwa Munic	Allegation of non-payment of full amount of contract		2,430,000.00	100,000.00	Finalised	Municipality
10	Telkom SA Limited /Lekwa Munic	Allegation of damage to property	207/2011 @ Standerton Court	39,814.66	25,000.00	Finalised	Municipality
11	Lekwa Munic/Lewende Woorde Kerk	Violation of Municipal Zoning Regulations			10,000.00	Finalised	Municipality
12	Lekwa Munic / MJ Thanjekwayo	Damage to Municipal Property		25,000.00	10,000.00	Pending	
13	Lekwa Munic / Lindiwe Cindi & Sonnyboy Motaung	Review of outcome of internal diciplinary case		None	40,000.00	Pending	
14	Dumesane Elijah Nkonde/ Lekwa Munic	Allegation off unfair labour practice	J1496/2012 @ JHB Labour court	None	40,000.00	Finalised	Municipality

38. Contingencies (continued)

15	Lekwa Munic/Unlawful Invaders	Unlawful Invasion and occupation of Municipal Land	34612/2011 @ PTA High Court	None	100,000.00	Finalised	Both parties
16	Phumi Trading JV Mosallo Zwane /Lekwa Munic	Non Payement of Retention amount				Pending	
17	Lekwa Local Munici & Another Letloala Richard Motloung	Eviction Proceedings	539/2010	None	25,000.00	Finalised	Municipality
18	MJ Swanepoel /Lewa Local Municipality	Allegation of damage sufferd from fall on a pavement		100,000.00	25,000.00	Finalised	Both parties
19	Butiza Samuel Tsotetsi / Lekwa Local Municipality	Allegation of damage from a collision with a municipal motor vehicle			25,000.00	Pending	
20	Motsamai Nkebenyane / Lekwa Local Municipality	Allegation of damage of property from spillage of sewer	132/2013	100,000.00	25,000.00	Pending	
21	Pheela Abraham Motaung & Others / Lekwa Munic	Allegation of loss property due to negligence of the fire department	47901/2012 @ PTA high court	200,000.00	50,000.00	Pending	
22	Roadspan Surface (PTY) Ltd / Lekwa Local Municipality	Allegation of non-payment of amount in terms of a cession	164/2013 @ Standerton High Court	25,000.00	8,000.00	Pending	
23	S.A. & Son Construction /Lekwa Local Municipality	Allegation of unilateral termination of contract	PTA High Court	Specific Performance	100,000.00	Finalised	
24	RTO Dipone / Lekwa Local Municipality	Allegation of unproduceral suspension	J-3156/2012 @ JHB Labour court	Specific Performance	100,000.00	Finalised	
25	RTO Dipone / Lekwa Local Municipality	Allegation of breach of employement contract	J-20/2013 @ JHB Labour Court	Specific Performance	100,000.00	Finalised	
26	RTO Dipone / Lekwa Local Municipality	Allegation of breach of employement contract	J-268/2013 @ JHB Labour Court	Specific Performance	100,000.00	Finalised	

Notes to the Unaudited Annual Financial Statements

39. Risk management

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risks, which is currency risk, interest rate risk and other prices risk.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the executive mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

Description of type of financial instrument	**R**	**R**
Receivables from Exchange transactions	55,376,646	57,030,275
Cash and Cash Equivalents	23,780,343	15,272,514
Maximum credit and interest rate risk exposure	79,156,989	75,302,789

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

40. Unauthorised expenditure

Opening balance	198,486,745	2,153,326
Unauthorised for the year	-	196,333,419
	198,486,745	**198,486,745**

41. Fruitless and wasteful expenditure

Opening balance	8,233,839	3,202,332
Fruitless and wasteful expenditure	341,248	28,346
Overtime above threshold R 172 000 per annum	-	1,271,543
Overtime above threshold - 160 hours per month	-	37,076
Leave taken exceeding 48 days	-	59,891
Interest paid on bulk purchases of water and electricity	-	3,616,220
Interest paid on accounts in arrears	-	18,431
	8,575,087	**8,233,839**

42. Irregular expenditure

Opening balance	5,964,662	-
Suppliers couldn't be traced to the Tender Register	-	2,408,290
Point system not followed	-	1,468,130
Employees have interest in contracts	-	209,305
Payment records for the transaction was not provided	-	5,928
Suppliers not rotated	-	420,286
Payment records for the following transaction was not provided	-	55,867
Other	-	1,396,856
Closing balance	**5,964,662**	**5,964,662**

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,854,786	695,794
Amount paid - current year	(1,854,786)	(695,794)
	-	**-**

Material losses

Distribution losses	59,794,825	51,205,077

Electricity losses for the current year amounted to 19.9% i.e R52,125,090 (2012: 31% i.e. R50,183,066). These losses comprise of technical and nontechnical losses.
Technical losses, being losses within the network which are inherent in any network, account for 10% .Non-technical losses, being theft, faults, billing errors etc., account for 9.9%. Attempts are currently being made to reducethese non-technical losses.

Non revenue water i.e. non billed water amounted to 57.2% i.e. R7,669,735 (2012: 31% i.e. R1,022,011). 10% of these losses can be accounted for it terms of the National Guidelines for nonrevenue water. 47.2% of these losses cannot be accounted for mainly due to the non-metering of this water, being theft, faults, billing errors etc.. This problem is currently being addressed whereby additional meters are being installed and a data cleansing process will be initiated to address losses.

Figures in Rand	2013	2012

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Current year subscription / fee	3,494,466	2,712,263
Amount paid - current year	(3,494,466)	(2,712,263)
	-	**-**

PAYE and UIF

Current year subscription / fee	12,887,632	-
Amount paid - current year	(11,239,813)	-
	1,647,819	**-**

Pension and Medical Aid Deductions

Current year subscription / fee	28,104,761	-
Amount paid - current year	(25,745,645)	-
	2,359,116	**-**

VAT

VAT payable	37,470,421	36,788,629

VAT output payables and VAT input receivables are shown in note 14.

All VAT returns have been submitted by the due date throughout the year.

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. M.S. Khumalo (Acc. Holder: T.T. Radebe)	294	-	294
Cllr. L.B.R. Dhlamini (Acc. Holder: S.Z. Dhlamini)	(753)	-	(753)
Cllr. M.M. Ntuli (Acc. Holder: M.M. Mnisi)	763	506	1,269
Cllr. J.B. Mothopeng (Acc. Holder: J.B. Mothopeng)	(58)	-	(58)
Cllr. J.P. Masuku (Acc. Holder: L.M. Motaung)	486	-	486
Cllr. J.J. Van der Wath (Acc. Holder: J.J. Van der Wath)	4,889	1	4,890
Cllr. P.T. Schnetler (Acc. Holder: P.T. Schnetler)	9,524	101	9,625
Cllr. M.G. Makhanye (Acc. Holder: M.G. Makhanye)	132	-	132
Cllr. H.M. Khota (Acc. Holder: T.B. Nhleko)	516	47	563
Cllr. F. Sarang (Acc. Holder: R.A. Sarang)	1	-	1
Cllr. S.M. Zacarias (Acc. Holder: R.A. Hlatshwayo)	525	-	525
Cllr. M.Y. Mahlangu (Acc. Holder: S.P. Khumalo)	561	-	561
Cllr. M.L. Molaba (Acc. Holder: T.B. Mbale)	736	4,023	4,759
Cllr. J.F. Buthelezi (Acc. Holder: E.S. Buthelezi)	993	11,612	12,605
Cllr. P. Mphuthi (Acc. Holder: T.A. Mphuti)	83	761	844
Cllr. S.S. Gumede (Acc. Holder: B.J. Gumede)	1,699	69,415	71,114
	20,391	**86,466**	**106,857**

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. M.S. Khumalo (Acc. Holder: T.T. Radebe)	(330)	5,722	5,392
Cllr. L.B.R. Dhlamini (Acc. Holder: S.Z. Dhlamini)	734	23,076	23,810
Cllr. M.M. Ntuli (Acc. Holder: M.M. Mnisi)	919	32,410	33,329
Cllr. J.B. Mothopeng (Acc. Holder: J.B. Mothopeng)	(161)	965	804
Cllr. E.N.K. Shabangu (Acc. Holder: S.B. Mahlangu)	158	8,583	8,741
Cllr. J.P. Masuku (Acc. Holder: L.M. Motaung)	54	8,654	8,708
Cllr. J.J. Van der Wath (Acc. Holder: J.J. Van der Wath)	5,988	1,773	7,761
Cllr. P.T. Schnetler (Acc. Holder: P.T. Schnetler)	1,047	7,611	8,658
Cllr. S.S. Mosia (Acc. Holder: M.B. Mosia)	200	1,536	1,736
Cllr. M.G. Makhanye (Acc. Holder: M.G. Makhanye)	28	(27)	1
Cllr. N. Tshabalala (Acc. Holder: N. Tshabalala)	167	6,382	6,549
Cllr. H.M. Khota (Acc. Holder: T.B. Nhleko)	636	36,495	37,131
Cllr. N.I. Nkosi (Acc. Holder: F.J. Nkosi)	620	24,140	24,760
Cllr. F. Sarang (Acc. Holder: R.A. Sarang)	463	498	961
Cllr. S.M. Zacarias (Acc. Holder: R.A. Hlatshwayo)	131	130	261
Cllr. M.Y. Mahlangu (Acc. Holder: S.P. Khumalo)	1,169	630	1,799
Cllr. M.L. Molaba (Acc. Holder: T.B. Mbale)	587	11,289	11,876
Cllr. J.F. Buthelezi (Acc. Holder: E.S. Buthelezi)	796	9,870	10,666
Cllr. P. Mphuthi (Acc. Holder: T.A. Mphuti)	998	18,591	19,589
Cllr. S.S. Gumede (Acc. Holder: B.J. Gumede)	1,554	63,258	64,812
	15,758	**261,586**	**277,344**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

44. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	1,101,945	2,232,784
	1,101,945	2,232,784
Cash set aside for the repayment of long-term liabilities	(1,101,945)	(2,232,784)
	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

45. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2013	2012

46. Other 1

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Received during the period Rand	Paid during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
	61000031		2,159,502	-	1,057,557	1,101,945	-	-
	61002390		73,282	-	73,282	-	-	-
	61003266		-	-	-	-	-	-
			2,232,784	**-**	**1,130,839**	**1,101,945**	**-**	**-**
Bonds								
Other loans								
Finance Lease liability								
Standard Bank Limited	17452333-0020		38,644	-	38,644	-	-	-
Standard Bank Limited	17452333-0024		-	-	-	-	-	-
Standard Bank Limited	17452333-0022		38,644	-	38,644	-	-	-
Standard Bank Limited	17452333-0021		38,644	-	38,644	-	-	-
Standard Bank Limited	17452333-0023		-	-	-	-	-	-
Standard Bank Limited	17452333-0019		38,644	-	38,644	-	-	-
			154,576	**-**	**154,576**	**-**	**-**	**-**
Total external loans			**2,387,360**	**-**	**1,285,415**	**1,101,945**	**-**	**-**

Lekwa Local Municipality
Appendix D
June 2013

Segmental Statement of Financial Performance for the year ended

Prior Year Actual Income Rand	Prior Year Actual Expenditure Rand	Prior Year Surplus /(Deficit) Rand		Current Year Actual Income Rand	Current Year Actual Expenditure Rand	Current Year Surplus /(Deficit) Rand
			Municipality			
(3,591)	40,922,578	(40,926,169)	Executive & Council/Mayor and Council	55,523	46,064,915	(46,009,392)
161,808,686	205,641,087	(43,832,401)	Finance & Admin/Finance	172,539,570	229,416,255	(56,876,685)
9,754	328,271	(318,517)	Planning and Development/Economic Development/Plan	33,323	184,830	(151,507)
-	792,378	(792,378)	Health/Clinics	-	526,965	(526,965)
92,999	12,598,587	(12,505,588)	Comm. & Social/Libraries and archives	167,730	13,830,606	(13,662,876)
463,742	99,841	363,901	Housing	409,281	119,350	289,931
8,008	9,473,457	(9,465,449)	Public Safety/Police	4,205	9,633,153	(9,628,948)
53,798	6,980,513	(6,926,715)	Sport and Recreation	18,081	7,333,660	(7,315,579)
9,797,822	13,051,359	(3,253,537)	Environmental Protection/Pollution Control	12,175,652	34,923,434	(22,747,782)
21,303,346	11,259,519	10,043,827	Waste Water Management/Sewerage	21,717,550	11,216,598	10,500,952
14,537,494	19,882,726	(5,345,232)	Road Transport/Roads	19,650,980	17,915,016	1,735,964
30,874,993	28,032,534	2,842,459	Water/Water Distribution	37,704,322	32,325,886	5,378,436
137,213,502	180,376,270	(43,162,768)	Electricity /Electricity Distribution	175,387,719	188,261,337	(12,873,618)
376,160,553	**529,439,120**	**(153,278,567)**		**439,863,936**	**591,752,005**	**(151,888,069)**
			Municipal Owned Entities			
			Other charges			
376,160,553	529,439,120	(153,278,567)	Municipality	439,863,936	591,752,005	(151,888,069)
376,160,553	**529,439,120**	**(153,278,567)**	**Total**	**439,863,936**	**591,752,005**	**(151,888,069)**

Lekwa Local Municipality
Appendix E(1)
June 2013

Year to Date

	Current year 2013 Act. Bal. Rand	Current year 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	246,422,104	262,076,546	(15,654,442)	(6.0)	
Income from agency services	3,692,052	(316,233)	4,008,285	,267.5)	
Rental income	1,839,555	1,947,971	(108,416)	(5.6)	
Other income - (rollup)	877,708	1,505,942	(628,234)	(41.7)	
Interest received - investment	14,947,118	14,063,279	883,839	6.3	
	267,778,537	279,277,505	(11,498,968)	(4.1)	
Expenses					
Personnel	(115,435,192)	(106,350,764)	(9,084,428)	8.5	
Remuneration of councillors	(8,417,782)	(8,820,719)	402,937	(4.6)	
Depreciation	(113,538,965)	(12,000,000)	(101,538,965)	846.2	
Finance costs	(17,787,929)	(180,000)	(17,607,929)	,782.2	
Debt impairment	(77,849,817)	(55,468,696)	(22,381,121)	40.3	
Repairs and maintenance - General	(11,800,145)	(12,312,105)	511,960	(4.2)	
Bulk purchases	(186,571,090)	(166,734,197)	(19,836,893)	11.9	
Contracted Services	(4,331,408)	(4,866,143)	534,735	(11.0)	
Grants and subsidies paid	(14,373,130)	(15,230,774)	857,644	(5.6)	
General Expenses	(56,776,932)	(61,739,461)	4,962,529	(8.0)	
	(606,882,390)	(443,702,859)	(163,179,531)	36.8	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(53,154)	-	(53,154)	-	
	(53,154)	-	(53,154)	-	
Net surplus/ (deficit) for the year	(339,157,007)	(164,425,354)	(174,731,653)	106.3	

Lekwa Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2013

		ACTUAL GRANTS AND SUBSIDIES RECEIVED				GRANT INCOME RECOGNISED			
Ref	**Grant**	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Quarter1**	**Quarter2**	**Quarter 3**	**Quarter 4**
001	Municipal Infrastructure Grant	-38,941,000.00	-	-4,580,000.00	-	13,526,367.07	4,821,646.14	1,488,481.68	12,110,439.17
002	Municipal Systems Improvement Grant	-800,000.00	-	-	-	338,215.02	351,397.23	340,604.28	356,697.90
003	Neighbourhood Development Partnership Grant	-1,745,000.00	-	-	-	333,900.40	1,220,139.02	345,537.16	-
004	Local Government Financial Management Grant	-1,250,000.00	-	-	-	2,040,791.39	27,262.05	-	300.00
005	Expanded Public Works Programme ntegrated Grant for Municipalities	-703,000.00	-527,000.00	-527,000.00	-	-	-	-	1,349,901.98
006	EQUITABLE SHARE	-32,945,000.00	-25,534,000.00	-20,588,000.00	-	32,945,000.00	25,534,000.00	-	20,588,000.00
007	Integrated National Electrification Programme (Municipal) Grant	-500,000.00	-	-	-	101,671.33	139,681.03	125,170.95	157,759.20
		-38,941,000.00	-26,061,000.00	-25,695,000.00	-	49,285,945.21	32,094,125.47	2,299,794.07	34,563,098.25